

CITY OF MARQUETTE

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-6
Management's Discussion and Analysis	7-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Cash Basis Statement of Activities and Net Position	A 15
Cash Basis Statement of Activities and Net Position - Aggregate Discretely Presented Component Units	B 16
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 17-18
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 19
Notes to Financial Statements	20-32
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and All Proprietary Funds	34
Notes to Other Information - Budgetary Reporting	35
Schedule of the Primary Government's and the Discretely Presented Component Unit's:	
Proportionate Share of the Net Pension Liability (Asset)	36
Contributions	37
Notes to Other Information - Pension Liability (Asset)	38-39
Supplementary Information	<u>Schedule</u>
Schedule of Receipts by Source and Disbursements, by Function - All Governmental Funds	1 41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	42-44
Schedule of Findings	45-47

CITY OF MARQUETTE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Norma Mason	Mayor	Jan. 2016
Jason Winter	Mayor Pro tem	Jan. 2016
Gaylen McShane	Council Member (Elected July 1, 2014)	Jan. 2016
Cindy Halvorson	Council Member	Jan. 2018
John Ries	Council Member	Jan. 2018
Rinda Ferguson	Council Member	Jan. 2018
Dean Hilgerson	City Manager	Indefinite
Susan Weipert	City Clerk/Treasure	Indefinite
James Garrett	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Marquette, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information, and each major fund of the City of Marquette as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 3 to the financial statements, the City of Marquette adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marquette's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements, which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedule 1, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions on pages 7 through 13 and 34 through 39, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2015 on our consideration of the City of Marquette's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Marquette's internal control over financial reporting and compliance.

Elkader, Iowa

October 20, 2015


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF MARQUETTE

102 North St. PO Box 7
Marquette IA 52158-0007
Phone: 563-873-3735 Fax: 563-873-2122
marqcity@alpinecom.net

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marquette provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 8.0%, or approximately \$ 129,000 from fiscal 2014 to fiscal 2015. Tax increment financing collections decreased approximately \$ 125,000.

Disbursements of the City's governmental activities decreased 31.4%, or approximately \$ 407,000 in fiscal 2015 from fiscal 2014. Capital projects disbursements decreased approximately \$ 410,000.

The City's total cash basis net position increased 16.6%, or approximately \$ 549,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$ 505,000 and the cash basis net position of the business type activities increased approximately \$ 44,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of Cash Basis Statements of Activities and Net Position. These statements provide information about the activities of the City as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides comparative information about the governmental funds for the last ten years.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and operational results of funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This annual report includes all activities for which the City of Marquette City Council is fiscally responsible. These activities, defined as the City's reporting entity, are operated within separate legal entities that are the primary government and other separate legal entities that are included as component units.

The primary government consists of two legal entities: the City of Marquette and the Driftless Area Wetland Center.

The component unit presentation consists of two legal entities: the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc.

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City, as a

whole, better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into three kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and capital projects. Property tax, state and federal grants, and gaming revenues finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Discretely Presented Component Units consist of the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc., legally separate organizations that have the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and (3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$ 3.254 million to approximately \$ 3.760 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts		
Program receipts:		
Charges for service	\$ 247	252
Operating grants and contributions	69	51
Capital grants and contributions	68	81
General receipts:		
Property tax	498	570
Local option taxes	103	103
Gaming wager tax	468	500
Sale of assets	0	13
Unrestricted investments earnings	32	42
Other general receipts	15	17
Total receipts	1,500	1,629
Disbursements:		
Public safety	162	178
Public works	171	151
Health and social services	1	1
Culture and recreation	113	132
Community and economic development	24	2
General government	242	246
Capital projects	181	591
Total disbursements	894	1,301
Change in cash basis net position before transfers	606	328
Transfers, net	(100)	0
Change in cash basis net position	506	328
Cash basis net position beginning of year	3,254	2,926
Cash basis net position end of year	\$ 3,760	3,254

The City's total receipts for governmental activities decreased 8.0% or approximately \$ 129,000. The total cost of all programs and services decreased approximately \$ 407,000, or 31.4%. The decrease in receipts was primarily due to a decrease in tax increment financing collections of approximately \$ 125,000. The significant decrease in disbursements was primarily due to the approximate \$ 410,000 decrease in capital projects disbursements in 2015.

The cost of all governmental activities this year was approximately \$ 894,000 compared to approximately \$ 1.301 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was only \$ 510,000 because some of the cost was paid by those directly benefited from the programs (\$ 247,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$ 137,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, remained unchanged in 2015 at approximately \$ 384,000. The City paid the remaining "public benefit" portion of governmental activities with approximately \$ 600,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest (\$ 32,000) and gaming wager receipts (\$ 468,000).

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 79	79
Sewer	86	85
General receipts:		
Other general receipts	6	6
Total receipts	<u>171</u>	<u>170</u>
Disbursements:		
Water	109	83
Sewer	<u>118</u>	<u>92</u>
Total disbursements	<u>227</u>	<u>175</u>
Change in cash basis net position before transfers	(56)	(5)
Transfers, net	<u>100</u>	<u>0</u>
Change in cash basis net position	44	(5)
Cash basis net position beginning of year	<u>52</u>	<u>57</u>
Cash basis net position end of year	<u>\$ 96</u>	<u>52</u>

Total business type activities receipts for the fiscal year were \$ 171,000 compared to \$ 170,000 last year. The cash balance increased approximately \$ 44,000 from the prior year, primarily due to a \$ 100,000 transfer from the General Fund. Total disbursements for the fiscal year increased 29.8%, or approximately \$ 52,000 of which \$ 17,000 was for a truck.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Marquette completed the year, its governmental funds reported a combined fund balance of \$ 3,759,646, an increase of \$ 505,625 from last year's total of \$ 3,254,021. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 393,101 from the prior year to \$ 3,391,562. The General Fund transferred \$ 220,191 to the Capital Projects Fund, \$ 50,000 to the Enterprise, Water Fund and \$ 50,000 to the Enterprise, Sewer Fund. The transfers to the Capital Projects Fund was primarily for the riverfront improvement project and the purchase of land for a senior citizen housing project. The transfers to the Enterprise Funds was to cover deficit balances. The General Fund received a transfer from the Special Revenue, Urban Renewal Tax Increment Fund of \$ 420,976 for repayment of interfund loans.

The Special Revenue, Urban Renewal Tax Increment Fund receipts were used to transfer \$ 420,976 to the General Fund as a payment on interfund loans.

The Capital Projects Fund disbursed \$ 181,227 during the current fiscal year for various capital projects, which included \$ 80,581 for riverfront improvements, \$ 59,350 for land purchase for eventual senior citizen housing and \$ 22,449 for Timber Ridge improvements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on April 21, 2015, and resulted in a decrease of \$ 243,500 in budgeted disbursements, primarily a result of budgeted decrease in capital projects disbursements of \$ 306,500.

The City's receipts were \$ 8,247 more than budgeted.

DEBT ADMINISTRATION

At June 30, 2015 and 2014, the City had no long-term debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities

can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is approximately \$ 1.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Marquette's elected and appointed officials and citizens considered many factors when setting the fiscal 2016 budget, tax rates and fees that will be charged for various City activities. One of those factors is revenue from the gaming boat. Total gaming boat receipts for the years ended June 30, 2015, 2014, and 2013 were \$ 651,285, \$ 682,916, and \$ 755,477, respectively. New gaming facilities in Iowa and a depressed economy has put downward pressure on these receipts. Population decreased 21.2% in the 2010 census from the 2000 census. However, the City appealed the count and received a positive re-determination from 375 to 462.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are \$ 1.821 million, an increase of 9.9% over the final fiscal 2015 budget. Budgeted disbursements are expected to increase \$ 508,237, with capital projects disbursements budgeted to increase \$ 511,500.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 554,000 by the close of fiscal year 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dean Hilgerson, City Manager; 102 North Street; Marquette, Iowa.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF MARQUETTE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the Year Ended June 30, 2015

	Disbursements	Charges for Service	Program Receipts		Primary Government			Aggregate Discretely Presented Component Units
			Operating Grants and Contributions	Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Cash Basis Net Position	Governmental Activities	Business Type Activities	Total
Functions/Programs:								
Governmental activities:								
Public safety	\$ 162,492	77,179	15,884	-	(69,429)	-	-	(69,429)
Public works	171,009	39,981	47,882	-	(83,146)	-	-	(83,146)
Health and social services	1,031	-	-	-	(1,031)	-	-	(1,031)
Culture and recreation	112,549	116,149	4,562	-	8,162	-	-	8,162
Community and economic development	23,623	916	-	-	(21,796)	-	-	(21,796)
General government	241,811	12,782	-	-	(229,029)	-	-	(229,029)
Capital projects	181,227	-	-	67,722	(113,505)	-	-	(113,505)
Total governmental activities	893,742	247,007	69,239	67,722	(509,774)	-	-	(509,774)
Business type activities:								
Water	109,382	79,652	-	-	-	(29,730)	(29,730)	-
Sewer	118,224	85,681	-	-	-	(32,543)	(32,543)	-
Total business type activities	227,606	165,333	-	-	-	(62,273)	(62,273)	-
Total primary government	\$ 1,121,348	412,340	69,239	67,722	(509,774)	(62,273)	(572,047)	(56,749)
Aggregate discretely presented component units	\$ 312,906	250,402	5,755	-				
General receipts and transfers:								
Property and other city tax					62,753	-	-	62,753
Tax increment financing					434,618	-	-	434,618
Local option sales tax					39,325	-	-	39,325
Hotel/motel tax					63,136	-	-	63,136
Gaming wager tax					468,368	-	-	468,368
Unrestricted interest on investments					32,276	-	-	32,276
Miscellaneous					14,923	6,067	20,990	412
Transfers					(100,000)	100,000	-	-
Total general receipts and transfers					1,015,399	106,067	1,121,466	20,990
Change in cash basis net position					505,625	43,794	549,419	(35,759)
Cash basis net position beginning of year					3,254,021	51,856	3,305,877	155,236
Cash Basis Net Position					\$ 3,759,646	95,650	3,855,296	119,477
Restricted, expendable:								
Overpass demolition					\$ 100,000	-	100,000	-
Urban renewal purposes					82,880	-	82,880	-
Streets					10,031	-	10,031	-
Unrestricted					3,566,735	95,650	3,662,385	119,477
Total Cash Basis Net Position					\$ 3,759,646	95,650	3,855,296	119,477

See notes to financial statements.

Exhibit B

CITY OF MARQUETTE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AGGREGATE DISCREETLY PRESENTED COMPONENT UNITS
As of and for the Year Ended June 30, 2015

Discretely Presented Component Unit	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants and Contributions	Unified Law Enforcement District	Marquette Action Club, Inc.	Total
Mar Mac Unified Law Enforcement District	\$ 299,826	242,032	5,755	(52,039)	-	(52,039)
Marquette Action Club, Inc.	13,080	8,370	-	-	(4,710)	(4,710)
Total	\$ 312,906	250,402	5,755	(52,039)	(4,710)	(56,749)
General receipts:						
Unrestricted interest on investments				335	77	412
Insurance proceeds/sale of assets				18,321	-	18,321
Miscellaneous				2,153	104	2,257
Total general receipts				20,809	181	20,990
Change in cash basis net position				(31,230)	(4,529)	(35,759)
Cash basis net position beginning of year				103,238	51,998	155,236
Cash basis net position end of year				\$ 72,008	47,469	119,477
Cash Basis Net Position:						
Unrestricted				\$ 72,008	47,469	119,477

See notes to financial statements.

Exhibit C

CITY OF MARQUETTE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2015

	General	Special Revenue Urban Renewal Tax Increment	Capital Projects	Nonmajor Road Use Tax	Total
Receipts:					
Property tax	\$ 62,048	-	-	-	62,048
Tax increment financing	-	434,618	-	-	434,618
Other city tax	571,533	-	-	-	571,533
Licenses and permits	1,764	-	-	-	1,764
Use of money and property	234,015	-	-	-	234,015
Intergovernmental	-	-	67,723	41,884	109,607
Charges for service	39,981	-	-	-	39,981
Miscellaneous	45,801	-	-	-	45,801
Total receipts	955,142	434,618	67,723	41,884	1,499,367
Disbursements:					
Operating:					
Public safety	162,492	-	-	-	162,492
Public works	121,320	-	-	49,689	171,009
Health and social services	1,031	-	-	-	1,031
Culture and recreation	112,549	-	-	-	112,549
Community and economic development	23,623	-	-	-	23,623
General government	241,811	-	-	-	241,811
Capital projects	-	-	181,227	-	181,227
Total disbursements	662,826	-	181,227	49,689	893,742
Excess (deficiency) of receipts over (under) disbursements	292,316	434,618	(113,504)	(7,805)	605,625
Other financing sources (uses):					
Operating transfers in	420,976	-	220,191	-	641,167
Operating transfers out	(320,191)	(420,976)	-	-	(741,167)
Total other financing sources (uses)	100,785	(420,976)	220,191	-	(100,000)
Net change in cash balances	393,101	13,642	106,687	(7,805)	505,625
Cash balances beginning of year	2,998,461	69,238	168,486	17,836	3,254,021
Cash balances end of year	\$ 3,391,562	82,880	275,173	10,031	3,759,646

(continued)

Exhibit C
(continued)

CITY OF MARQUETTE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2015

	General	Special <u>Revenue</u>	Urban Renewal Tax Increment	Capital Projects	Nonmajor <u>Road Use Tax</u>	Total
Cash Basis Fund Balances:						
Restricted for:						
Overpass demolition	\$ 100,000	-	-	-	-	100,000
Urban renewal purposes	-	82,880	-	-	-	82,880
Streets	-	-	-	-	10,031	10,031
Committed for:						
Capital projects	-	-	-	275,173	-	275,173
Tourism incentives	9,866	-	-	-	-	9,866
Crossing Rivers Health Foundation	10,000	-	-	-	-	10,000
Assigned for capital projects	967,520	-	-	-	-	967,520
Unassigned	2,304,176	-	-	-	-	2,304,176
Total cash basis fund balances	\$ 3,391,562	82,880	275,173	10,031	3,759,646	

See notes to financial statements.

CITY OF MARQUETTE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2015

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 79,652	85,681	165,333
Operating disbursements:			
Business type activities	97,895	106,737	204,632
Deficiency of operating receipts under operating disbursements	(18,243)	(21,056)	(39,299)
Non-operating receipts (disbursements):			
Miscellaneous	3,439	2,628	6,067
Capital outlay	(11,487)	(11,487)	(22,974)
Net non-operating receipts (disbursements)	(8,048)	(8,859)	(16,907)
Deficiency of receipts under disbursements	(26,291)	(29,915)	(56,206)
Transfers in	50,000	50,000	100,000
Change in cash balances	23,709	20,085	43,794
Cash balances beginning of year	29,431	22,425	51,856
Cash balances end of year	\$ 53,140	42,510	95,650
Cash Basis Fund Balances			
Unrestricted	\$ 53,140	42,510	95,650

See notes to financial statements.

CITY OF MARQUETTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Marquette is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1860 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Marquette has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has three component units which meet the Governmental Accounting Standards Board criteria.

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended unit's governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. The component unit's funds are blended to those of the City by appropriate fund type to constitute the primary government presentation. The blended component is presented as follows:

:

Component Unit/
Fund Included In

Brief Description /Inclusion Criteria

Driftless Area Wetland
Centre
General Fund

Created August 13, 2013, under 28E of the Code of Iowa to operate a multi-use community facility and arts venue, a nature center focusing on area eco-systems, and eventually, a trailhead for area pedestrian and cycling trails. The Centre is governed by a five member board, four of which are appointed by the City of Marquette. Appointments are made by the Mayor subject to Council approval. One member shall be appointed by the MFL MarMac Community School District. The Board of Directors shall have exclusive control of the expenditure of all funds allocated for Wetlands Centre purposes by Marquette's Council, and all monies received by the Wetlands Centre from other sources, subject to limitations of expenditures set forth in the annual budget approved by Marquette's Council. Prior to January 1, 2032, this agreement may only be terminated by mutual consent of the parties; but any such termination shall not be effective unless the written consent of the Iowa Department of Cultural Affairs or any successor state agency is received. In the event this agreement is terminated prior to January 1, 2032, Marquette shall pay to the School in partial reimbursement for construction costs of \$ 144,000 for the Wetlands Centre contributed by the School. Beginning July 1, 2014, the amount decreases by \$ 7,579 annually until June 30, 2032. After January 1, 2032, either party may terminate the agreement by written notice to the other at least ninety days prior to designated termination date.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component units that are discretely presented in the City's report are presented below:

Component Unit

Brief Description/Inclusion Criteria

Mar-Mac Unified Law
Enforcement District

Created in 1999 under Chapter 28E of the Code of Iowa to provide police services to the cities of Marquette and McGregor. The District is

governed by a five member board, two of which are appointed by the City of Marquette, who are persons currently serving as either Mayor or Council Member of Marquette. Appointments are made by the Mayor, subject to Council approval; provided however, that if the Mayor appoints himself/herself, Council approval is not required. The City of Marquette shall appropriate and pay to the District each fiscal year a sum equal to 59%, 56% and 53% of the District's budget for the years ending June 30, 2015, 2016 and 2017, respectively. Thereafter, the City of Marquette shall appropriate and pay to the District each fiscal year a sum equal to 50% of the District's budget.

Marquette Action Club, Inc. Created March 13, 2009, under Chapter 504 of the Code of Iowa, for the purpose of improving and beautifying the City of Marquette. The initial directors of the Organization are its incorporators, which includes one former council member of the City of Marquette.

The District issues a publicly available audited financial report that includes financial statements and other information. The report may be obtained by writing to: Mar-Mac Unified Law Enforcement District; P.O. Box 69; Marquette, Iowa 52158-0069.

The Marquette Action Club, Inc. does not issue separately audited component unit financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the

City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component units (the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc.) are reported as if they were external transactions and are classified separately from internal transactions within the primary government.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net assets. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and

the capital improvement cost not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position, available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and

disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used for specific purposes pursuant to constraints imposed by the Council through ordinance or resolution approved prior to year end.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) **Cash and Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City and its discretely presented component unit (the Police District), except for those covered by another retirement system. Employees of the City and the Police District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 20306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year salary).

A protection occupation member may retire at normal retirement age which is generally at age 55. A protection occupation member may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate protection occupation member's monthly IPERS benefits include:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July

1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefits payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City and Police District contributed 8.93 percent for a total of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the Police District contributed 10.14 percent for a total rate of 16.90.

The City's and Police District's contributions to IPERS for the year ended June 30, 2015 were \$ 18,718 and \$ 14,188, respectively.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$ 118,814. The collective net pension liability was measured as of June 30, 2014, and the total pension liability

used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.002936 percent, which was a decrease of 0.000017 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$ 8,893, \$ 6,535, \$ 45,312, respectively.

At June 30, 2015, the Police District's assets for its proportionate share of the collective net pension asset totaled \$ 24,362. The collective net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the collective net pension asset was determined by an actuarial valuation as of that date. The Police District's proportion of the collective net pension asset was based on the Police District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Police District's proportions for the Regular membership group and the protection occupation membership group were .000142 and .038588 percent, respectively, which were decreases of .000154 percent for the regular membership and .010205 percent for the protection occupation membership group from their proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the Police District collective pension expense, collective deferred outflows and collective deferred inflows totaled \$ 3,189, \$ 317, and \$ 34,578, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as

appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City and the Police District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's and Police District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's and Police District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

Proportionate share of the net pension liability (asset)	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City	\$ 224,496	118,814	29,608
Police District	42,633	(24,362)	(80,821)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Discretely Presented Component Unit operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 3 active and no retired members in the plan. Participants must be age 50 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and the Discretely Presented Component Unit. The City and the Discretely Presented Component Unit finance the retiree benefit plans on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 1,151 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$ 49,454 and plan members contributed \$ 5,784. The most recent active member monthly premiums for the Discretely Presented Component Unit and plan members are \$ 320 for single coverage and \$ 799 for family coverage. For the year ended June 30, 2015, the Discretely Presented Component Unit contributed \$ 18,647 and plan members contributed \$ 2,565.

(5) Compensated Absences

City and Discretely Presented Component Unit employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death.

These accumulations are not recognized as disbursements until used or paid. The City's and the Discretely Presented Component Unit's approximate liabilities for earned compensated absences payable to employees at June 30, 2015 are as follows:

<u>Type of Benefit</u>	<u>Primary Government Amount</u>	<u>Discretely Presented Component Units Amount</u>
Vacation	\$ 400	5,200
Compensatory hours	0	600
Total	<u>\$ 400</u>	<u>5,800</u>

These liabilities have been computed based on rates of pay as of June 30, 2015.

(6) Excursion Gambling Boat Dock Site Lease Agreement

On July 10, 1994, the City entered into a dock site lease agreement with a Company to operate and manage casino gambling on excursion gambling boats and related activities in and about the City of Marquette. The dock site lease agreement provides docking facilities for a twenty five year term beginning June 10, 1994. The agreement provides that the Company pay the City a) \$ 105,000 per year payable in equal monthly installments; b) fifty cents per ticketed passenger payable monthly; c) two and one-half percent of the net gambling receipts in excess of \$ 10,000,000 per year; and d) fifty cents per passenger admission pursuant to Chapter 99F.10 of the Code of Iowa and the City ordinance for dock site rental. Additionally, the City provides 24 hour public safety protection for \$ 75,000 per year payable monthly.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 420,976
Capital Projects	General	220,191
Enterprise:		
Water	General	50,000
Enterprise:		
Sewer	General	<u>50,000</u>

Total

\$ 741,167

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Marquette and its Discretely Presented Component Units are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

(9) Related Party Transactions

The City paid \$ 142,682 to Mar-Mac Unified Law Enforcement District, a Discretely Presented Component Unit, of the City, for police services during the fiscal year ended June 30, 2015. The District refunded \$ 15,844 to the City during the same fiscal year.

The Marquette Action Club, Inc., a Discretely Presented Component Unit, donated \$ 911 to the City for signs during the fiscal year ended June 30, 2015. In addition, the Club paid \$ 593 for gutters on the shelter during the same fiscal year.

(10) Commitments

The City's contracted obligation to Mar-Mac Unified Law Enforcement District for police service for the fiscal year ended June 30, 2016 is \$ 130,523.

The City entered into a contract totaling \$ 1,112,316 for the Marquette Outlook Renovation Project.

(11) Significant Concentration of Credit Risk

Receipts from one business comprised approximately 39% of the City's total receipts for the fiscal year ended June 30, 2015.

(12) Interfund Loans

The General Fund has loans outstanding to the Special Revenue, Urban Renewal Tax Increment Fund of approximately \$ 3,028,000 at June 30, 2015. These loans will be repaid with future tax increment financing collections.

OTHER INFORMATION

CITY OF MARQUETTE
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES-
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
OTHER INFORMATION
Year Ended June 30, 2015

	Governmental Funds		Proprietary Funds		Total	Budgeted Amounts		Final to Total Variance
	Actual		Actual			Original	Final	
Receipts:								
Property tax	\$ 62,048		-		62,048	56,494	56,494	5,554
Tax increment financing	434,618		-		434,618	409,100	409,100	25,518
Other city tax	571,533		-		571,533	606,480	572,480	(947)
Licenses and permits	1,764		-		1,764	1,920	1,920	(156)
Use of money and property	234,015		-		234,015	228,350	225,350	8,665
Intergovernmental	109,607		-		109,607	385,009	135,009	(25,402)
Charges for service	39,981		165,333		205,314	227,600	227,600	(22,286)
Miscellaneous	45,801		6,067		51,868	8,500	24,500	23,368
Total receipts	1,499,367		171,400		1,670,767	1,923,453	1,656,453	14,314
Disbursements:								
Public safety	162,492		-		162,492	168,807	173,807	11,315
Public works	171,009		-		171,009	203,690	206,690	35,681
Health and social services	1,031		-		1,031	1,120	1,120	89
Culture and recreation	112,549		-		112,549	120,210	120,210	7,661
Community and economic development	23,623		-		23,623	34,985	34,985	11,362
General government	241,811		-		241,811	265,130	265,130	23,319
Capital projects	181,227		-		181,227	1,090,000	783,500	602,273
Business type activities	-		227,606		227,606	216,150	271,150	43,544
Total disbursements	893,742		227,606		1,121,348	2,100,092	1,856,592	735,244
Excess (deficiency) of receipts over (under) disbursements	605,625		(56,206)		549,419	(176,639)	(200,139)	749,558
Other financing sources, net	(100,000)		100,000		-	13,500	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	505,625		43,794		549,419	(163,139)	(200,139)	749,558
Balances beginning of year	3,424,021		51,856		3,305,877	2,780,877	3,305,877	-
Balances end of year	\$ 3,759,646		95,650		3,855,296	2,617,738	3,105,738	749,558

See accompanying independent auditor's report and notes to other information-
budgetary reporting.

CITY OF MARQUETTE

Notes to Other Information - Budgetary Reporting

Year Ended June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2015, one budget amendment decreased budgeted disbursements by \$ 243,000. The budget amendment is reflected in the final budgeted amounts.

CITY OF MARQUETTE
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND DISCRETELY PRESENTED COMPONENT UNIT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Fiscal Year
(In Thousands)
OTHER INFORMATION

	2015	
	Primary Government (City)	Discretely Presented Component Unit (Police District)
Proportion of the net pension liability (asset):		
Regular	.002936 %	.000142 %
Protective occupation	-	.038588 %
Proportionate share of the net pension liability (asset):		
Regular	\$ 119	6
Protective occupation	-	(30)
Covered-employee payroll:		
Regular	210	9
Protective occupation	-	116
Proportionate share of the net pension liability (asset) as a percentage of covered-payroll:		
Regular	56.67 %	60.60 %
Protective occupation	-	(24.33)%
Plan fiduciary net position as a percentage of the total pension liability	87.61 %	87.61 %

See accompanying independent auditor's report and notes to other information-pension liability (asset).

CITY OF MARQUETTE
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND DISCRETELY PRESENTED
COMPONENT UNIT'S CONTRIBUTIONS
Last 6 Fiscal Years
(In Thousands)
OTHER INFORMATION

	2015	2014	2013	2012	2011	2010
Primary Government (City):						
Statutorily required contribution	\$ 19	18	17	14	13	13
Contributions in relation to the statutorily required contribution	19	18	17	14	13	13
Contribution deficiency (excess)	\$ -	-	-	-	-	-
City's covered-employee payroll	\$ 210	196	191	176	182	201
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%
Discretely Presented Component Unit (Police District):						
Statutorily required contributions	\$ 14	14	17	16	13	11
Contributions in relation to the statutorily required contribution	14	14	17	16	13	11
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Police district's covered-employee payroll	\$ 141	136	163	161	138	126
Contributions as a percentage of covered-employee payroll	10.03%	10.06%	10.17%	9.86%	9.76%	9.04%

See accompanying independent auditor's report and notes to other information—pension plan.

CITY OF MARQUETTE
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF MARQUETTE
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last 10 Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 62,048	9,794	9,174	57,316	98,899	6,931	26,889	23,265	22,550	20,967
Tax increment financing	43,618	559,407	573,392	339,015	338,577	339,432	409,550	410,743	405,772	384,135
Other city tax	571,533	603,823	639,768	640,962	617,769	670,494	739,630	868,175	1,062,131	1,212,068
Licenses and permits	1,764	5,050	2,087	1,538	3,581	3,920	1,695	2,170	715	2,145
Use of money and property	224,015	244,903	218,868	271,466	275,233	297,680	356,740	242,257	333,943	268,900
Intergovernmental	109,607	89,313	109,620	280,465	253,925	565,036	55,536	248,659	39,624	39,850
Charges for service	39,981	42,094	41,112	40,348	39,523	42,967	42,022	26,821	25,887	24,558
Miscellaneous	45,801	61,259	111,283	26,583	4,771	9,465	15,603	4,340	27,876	10,333
Total	\$ 1,499,367	1,615,643	1,705,304	1,657,693	1,632,268	1,935,925	1,647,665	1,826,430	1,918,498	1,962,956
Disbursements:										
Operating:										
Public safety	\$ 162,492	178,304	196,791	179,068	219,252	143,493	182,553	250,875	149,857	147,862
Public works	171,009	150,495	157,072	157,541	146,962	132,156	147,810	146,006	159,772	174,488
Health and social services	1,031	1,066	816	816	816	316	316	1,158	300	316
Culture and recreation	112,549	122,407	109,500	93,616	80,721	79,799	60,454	58,216	57,013	72,257
Community and economic development	23,623	1,599	577,819	7,707	6,523	632	10,632	60,632	10,000	632
General government	241,811	246,296	225,490	212,723	222,213	219,968	220,080	144,417	192,818	185,976
Debt service	-	-	-	-	-	-	-	-	303,413	315,095
Capital projects	181,227	591,340	1,513,278	1,339,348	1,095,829	1,263,359	325,301	462,357	2,137,519	848,681
Total	\$ 893,742	1,301,507	2,780,766	1,990,819	1,782,316	1,839,723	947,146	1,123,661	3,010,692	1,745,317

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information, and each major fund of the City of Marquette, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements which collectively comprise the City's basic financial statements and have issued our report thereon dated October 20, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Marquette's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Marquette's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Marquette's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marquette's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Marquette's Responses to the Findings

The City of Marquette's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Marquette's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.


Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Marquette during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

October 20, 2015


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

No material weaknesses were identified.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - Disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.
- II-B-15 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the City and City officials were noted.
- II-E-15 Bond Coverage - Surety bond coverage of City officials and employees in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Board Minutes but were not.
- II-G-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the City's investment policy were noted. However, the resolution naming official depositories adopted by the City Council does not indicate the deposit limits for each institution as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City Council, by resolution, should approve amount sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

Response - We will do this.

Conclusion - Response accepted.

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Years Ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-H-15 Financial Condition - For the year ended June 30, 2015, operating disbursements exceeded operating receipts in both the Enterprise, Water Fund and the Enterprise, Sewer Fund. According to Chapter 384.84 of the Code of Iowa, "the governing body of a city utility may establish, impose, adjust and provide for the collection of rates and charges to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the city utility."

Recommendation - The City has not raised utility rates since fiscal year 2008. To avoid taxpayers subsidizing the water and sewer utilities, the City Council should consider increasing rates sufficient to meet operating and maintenance costs.

Response - We will consider this.

Conclusion - Response acknowledged.